

Commissioner's Column

November 2012

Citizens Concludes Sixth Depopulation Round with Significant Results

In November the Louisiana Citizens Property Insurance Corporation (Citizens) wrapped up the sixth round of its Depopulation Program marking yet another successful phase in moving policies to the private insurance market. Citizens again achieved significant results with 6,877 residential (personal lines) policies being assumed into the private insurance market through four companies.

Citizens combined commercial and residential policy count has dropped to approximately 105,000 policies and its total residential policy count is now below 100,000 with the removal of these additional policies. With this round of policy take outs, Citizens is predicted to have dropped to a 3.8 percent homeowners market share for 2012 and rank eighth in market share size in Louisiana.

You will recall Citizens' saw a significant rise in its size in the aftermath of Hurricanes Katrina and Rita in 2005. Its overall policy count spiked to 174,000 policies in February of 2008 and its market share peaked at 9.8 percent of the market, which ranked it the third largest homeowners group in Louisiana at that time. Its market share dropped to 6.4 percent in 2009 and to 5.3 percent in 2010. It continued to reduce further in 2011 to 4.1 percent, ranking Citizens as the seventh largest homeowners insurer in Louisiana by year end 2011.

Another year of success in the Citizens Depopulation Program indicates ongoing and significant improvement in the recovery of the Louisiana property insurance market. This reduction in homeowners market share size of Citizens is a good indicator that the residential and commercial property insurance markets in Louisiana are rebounding from the severe hit we suffered as a result of Hurricanes Katrina and Rita. Including a new company participating in this Depopulation Program round, Louisiana now has 18 new groups in the state after Hurricanes Katrina and Rita in 2005, giving homeowners a broader range of options for insurance. The Citizens Depopulation Program has utilized 12 of those companies writing in our homeowners market.

This reduction of Citizens policies benefits all property owners by reducing the potential for future assessments that could be charged to all property insurance consumers in Louisiana in the event of another Katrina-level event. An additional benefit for Louisiana property owners is that policies taken out of Citizens and written in the private insurance market will be written at lower premiums for those consumers since as the insurer of last resort Citizens' rates are required by law to be the highest rate in each parish. Many

policyholders have lowered their premiums by hundreds or even thousands of dollars after being written by a private insurance company instead of Citizens.

The four companies successfully making offers during the most recent round of depopulation to write homeowners policies previously written by Citizens are Access Home Insurance Company, Centauri Specialty Insurance Company, Lighthouse Property Insurance Company and Maison Insurance Company. Altogether, 29,241 unique policies were requested by these companies and 6,877 policies were authorized to be moved, giving a 23.5 percent authorization rate of total policies requested.

Access Home Insurance Company requested 15,472 policies and 2,762 policies were authorized. Centauri Specialty Insurance Company requested 3,119 policies and 479 policies were authorized. Lighthouse Property Insurance Company requested 5,627 policies and 599 policies were authorized. Maison Insurance Company requested 14,981 policies and 3,037 policies were authorized.

Insurance agents play a vital role in moving policies from Citizens to the Depopulation Program companies. Farm Bureau agents authorized 2,444 policies or 35.5 percent of the total authorized policies. Allstate agents authorized 2,115 policies, which is 30.75 percent of the total policies authorized. Independent agents authorized 1,804 policies, or 26 percent of the total policies authorized. State Farm agents authorized 514 policies or 7.5 percent of the total authorized policies.

With this sixth round of the Depopulation Program Citizens will have reduced its policy count by 74,539, a 43 percent decrease from the all-time high of 174,000 policies. In the five previous rounds of Citizens depopulation, Citizens saw the following reductions in policy counts: round one - 26,595 policies on June 1, 2008, round two - 13,343 policies on December 1, 2008, round three - 3,368 policies on April 1, 2009, round four - 13,466 policies on December 1, 2010 and round five - 10,890 policies on December 1, 2011.

November 15 was the deadline for agents to authorize policies to be moved from Citizens to the requesting company. Policies will transfer to new companies on December 1, 2012 and the new companies will renew assumed policies on their letterhead beginning March 1, 2013.

I am grateful to all of the companies removing policies from Citizens since the beginning of the depopulation program. The increased competition we are currently experiencing along the coastal parishes is a win-win scenario for all Louisiana property insurance policyholders.